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Standard Paving & Materials, Limited

ANNUAL REPORT March 31, 1969

Standard Paving & Materials, Limited

1224 Lawrence Avenue West, Toronto 390, Ontario.

DIRECTORS

R. S. AIKEN
Vice-President, Director and Treasurer of Canada Cement Company, Limited

S. C. COOPER
President of C. A. Pitts Engineering Construction Limited

J. B. HANLY
Vice-President of Canada Cement Company, Limited

I. L. JENNINGS
Vice-President of the Company

D. G. LAWSON
President of Moss Lawson & Co. Limited

J. H. REID
Chairman of the Board of the Company

G. SCHOTCH
President of the Company

OFFICERS

J. H. REID
Chairman of the Board

G. SCHOTCH
President

I. L. JENNINGS
Vice-President, Aggregates

T. D. JONES
Vice-President and Secretary-Treasurer

M. E. McRAE
Vice-President, Concrete Products

R. F. TITUS
Vice-President

E. J. WINTERS
Comptroller

E. J. HADDEN
Assistant Secretary-Treasurer

Registrar and Transfer Agents	CANADA PERMANENT TRUST COMPANY
Auditors	THORNE, GUNN, HELLIWELL & CHRISTENSON
Annual Meeting	*Thursday, June 26, 1969 at 11.00 a.m. (eastern daylight time), the Quebec Room, Royal York Hotel, 100 Front Street West, Toronto.*

OVER: *The Dixie Road concrete pipe plant*

Financial Highlights

	March 31 1969	March 31 1968
OPERATIONS (thousands of dollars)		
Sales and contract revenue	**42,865**	36,796
Income before taxes	**2,472**	275
Net income	**1,202**	250
Profit on disposal of properties	**28**	861
Capital expenditures	**4,524**	675
Provision for depreciation & depletion	**1,685**	1,763
FINANCIAL POSITION (thousands of dollars)		
Working capital	**4,823**	3,789
Fixed assets — net	**13,928**	11,088
Long-term debt	**2,805**	1,064
Deferred income taxes	**2,479**	1,525
Shareholders' equity	**13,658**	12,632
PER SHARE		
Net income	**$ 1.17**	$ 0.24
Dividends	**0.20**	0.20
Shareholders' equity	**13.33**	12.33
STATISTICAL		
Number of employees — March	**1,091**	1,124
— September	**1,826**	1,939
Number of shareholders — March	**1,586**	1,832

An artist's impression of the new head office building

Contents

Directors' Report to the Shareholders

We are pleased to report that your company has made progress in the past year. Sales quantities reached record levels for most of our materials and products. Net income has returned to the trend of steady growth interrupted only by the difficult conditions of the previous two operating seasons. Working capital has increased by more than one million dollars. A major project, the building of a new plant for the manufacture of concrete pipe, is now completed and in operation.

Financial Review

Total sales and contract revenues for the year at $42,865,250 were $6,069,404 greater than the previous year's total of $36,795,846. Net income for the year was $1,202,240 compared with $249,767 in the previous year, increasing the earnings per share to $1.17 from 24¢. Before deducting depreciation, depletion and income taxes, earnings were $4,157,039 or $2,119,371 more than in the previous year.

Your company's financial position improved in the course of the past year. Working capital at the end of the year was $4,823,328, an increase of $1,034,742. Improved earnings, an exceptional deferment of income taxes, and medium-term financing of expenditures on the new concrete pipe plant all contributed to this increase. Cash and bank deposits amounted to $3,443,762, compared with net borrowings of $18,035 a year earlier. Accounts receivable were $1,080,571 less, mainly from recovery of holdbacks upon the completion of major construction projects, and inventories decreased by $146,625. Our business however remains a seasonal one and considerable short-term borrowing will still be necessary to finance the high levels of receivables and inventories which exist during the construction season.

Net capital expenditures of $4,523,965 for the year compare with $674,934 during the previous year. They include $2,077,969 spent on projects which had not been brought into use at March 31, 1969. As a result unusually high capital cost allowances became available and $954,000 of income taxes were deferred to future periods. It is unlikely that there will be any significant additional deferment of taxes in the next year or two.

The year's provision for depreciation and depletion, amounting to $1,684,799, is $78,102 less than in the previous year. However, substantially higher depreciation and depletion charges are to be expected in future years.

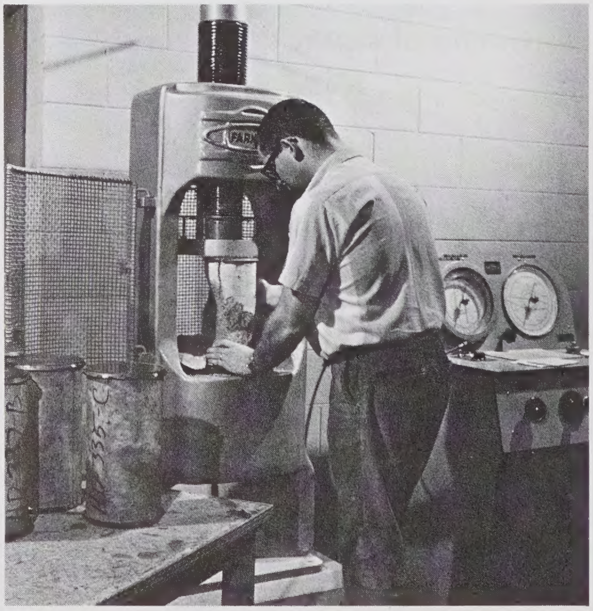
The policy of leasing part of our equipment requirements has enabled us to maintain our fleet on a more current basis than would otherwise have been possible, with a consequent improvement in efficiency. The company's commitment for leases, etc. is about $650,000 in the current year.

In recent years we had outgrown our former main offices on St. Clair Avenue, and early this year moved into new premises at 1224 Lawrence Avenue West, which have been designed and built to our own requirements and leased back to us.

Dividends

After a lapse of one year, quarterly dividend payments were resumed on January 1, 1969 with a payment of 10¢ per share and a further dividend of 10¢ per share was paid April 1, 1969.

On July 2, 1969 an extra dividend of 15¢ per share will be paid in respect of the year ended March 31, 1969, together with a quarterly dividend of 12½¢ per share.



Testing concrete strength — Red-D-Mix Concrete Company quality control laboratory, Hamilton

Aggregates

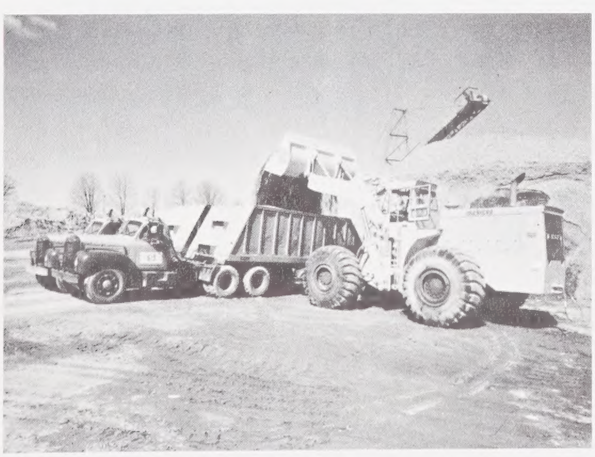
Sales of aggregates were well sustained throughout the year, and our production facilities met all demands made on them. The "Charles Dick" had a busy year, mainly on Lake Erie supplying customers on the U.S. side of the lake. The aggregates operation has been building up a very creditable safety record, and last November the Guelph plant completed 5 years of operations without a lost-time accident.

Replenishment of gravel reserves is the continuing task of our aggregates division, successfully discharged during the past year. Excavating and loading facilities have been improved by acquiring high-capacity loaders. An asphalt plant has been installed at the Pickering location to meet the demand for asphalt mixes in that area. The relocation of some sand and gravel plants is under study to better suit our future needs.

Ready-mix concrete and concrete block

Demand for ready-mix concrete reached record levels in the major market areas we serve, although declining moderately in some of the smaller centres. Our experience and facilities were valuable in meeting special customer needs, as was shown when one of our ready-mix operations placed 2,500 cubic yards of concrete in a single pour in twelve hours — one of the largest continuous pours made in the Toronto area. Quality control is an important constituent of the service package we offer to our customers; the laboratory in Hamilton has increased our capability in this field.

We have continued to maintain our ready-mix fleet in excellent condition, and are just completing a new high-capacity concrete batch plant at Welland. Several locations are being considered for other possible additions to your company's concrete batching facilities.



A 7 cubic yard loader at the stockpile

Concrete block sales continued their upward trend. The efficiency and productivity of our block plant has improved in recent years, and we expect further improvement to follow the installation late in the year of automatic handling and stacking equipment.

Concrete Products

The inadequacy of our facilities in the Toronto area for manufacturing concrete pipe has concerned us for some time. After two years of careful planning and preparation, we have now completed a new plant, and have agreed, since the year-end, to sell the former plant site on very favourable terms.

The market for concrete pipe was affected in the latter part of the year by the cancellation of the federal winter works incentive programme. We consider however that this is a temporary setback in a context of continually growing demand for reinforced concrete pipe.

Construction

Our construction operations in Ontario and Nova Scotia have given us cause for concern in recent years. In some areas we improved our performance during the year under review. A relatively small amount of uncompleted work was carried over to the current year.

Labour relations

During the past year thirteen of your company's collective agreements were renewed without work stoppages. The economic features of the settlements were within the general pattern for the period and the construction industry as a whole, although high by comparison with other years and other Canadian industries.

Labour-management discussion programmes on problems of safety and efficiency have been instituted in some of our divisions with satisfactory results, and immediate plans are to expand this activity.

In the current year our own operations are not directly involved in the negotiation of labour agree-

ments, but the spiral of accelerating wage and benefit demands in the industry is continuing to gain momentum. This situation is causing us grave concern.

Outlook for 1969/70

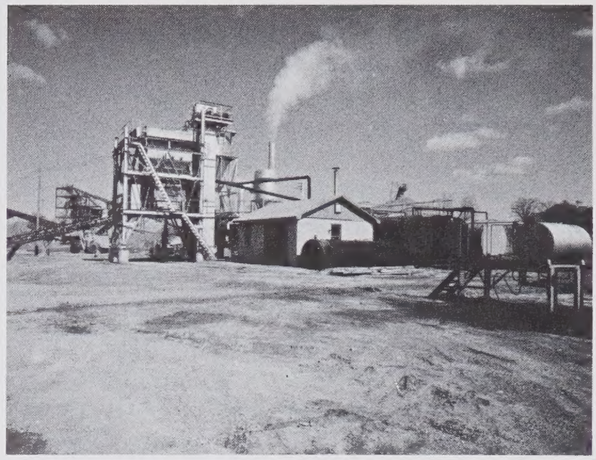
The Federal government's estimates of capital expenditures projected for 1969, issued in April, indicated that outlays for new construction were expected to rise by about 9% nation-wide, and by almost 14% in Ontario. Both contract awards and house-building activity in Ontario have shown a dramatic increase in the early months of the year. Although interest rates continue to rise, this does not now seem to be considered a serious deterrent to capital investment. However, a more restrictive monetary policy is now being followed by the federal government which is beginning to exert pressure on investment decisions and may result in the projected construction outlays not being achieved this year. Another adverse influence, even more significant from your company's point of view, is the confrontation in Toronto between labour unions and construction contractors, which has brought major construction work to a standstill.

All these circumstances prescribe the business environment within which your company will be operating in the current season. We are optimistic that we will be able to obtain a fair share of the additional business that will be available. Providing that the strike and lockout stand-off in Toronto is not unduly prolonged, we look forward to an improvement in earnings during the coming year.

To those of our shareholders who have stayed with us through the previous two difficult years, we are sure this will be welcome news, and we thank them for their patience and their continued support.

Appreciation

Our employees have worked diligently to obtain the improvement in your company's performance,



The Pickering asphalt plant

and we join with management in expressing our appreciation for their continued co-operation and loyalty. Their knowledge, skills and dedication are an essential element for the success of your company's operations.

On behalf of the Board,

J. H. REID, Chairman,

GEORGE SCHOTCH, President.

Toronto, Ontario,
May 28, 1969.

Concrete Pipe Company **and the New Dixie Road Plant**

Concrete Pipe Company moved into its new plant and office facilities at 5305 Dixie Road, Mississauga, near Toronto, on June 2nd, 1969. It is noteworthy that this Company is celebrating its fiftieth anniversary in the concrete pipe industry this year. The company started operations in 1919, with a plant at Woodstock, Ontario, which operated until 1961. Another plant, opened in Forest Hill Village in 1923, continued to operate until 1940. The Caledonia Road plant opened in 1928, and is now closing after 41 years of operations. A modern plant was opened in London in 1963.

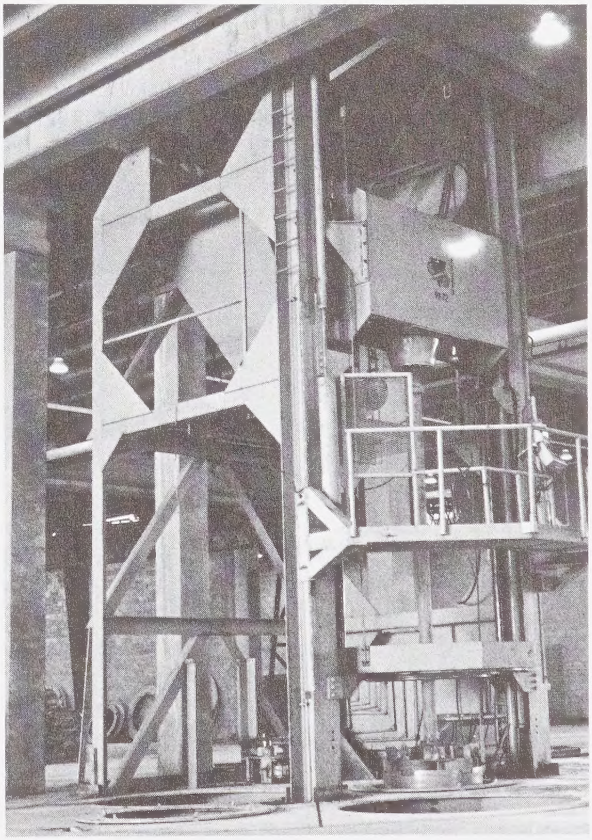
The new plant is ideally located to serve the ever increasing market for concrete pipe. It is situated half a mile south of the 401 Highway and just north of Highway 5 and the Queen Elizabeth Way. It is close to the future intersections of Highways 403 and 401. It offers excellent access for truck delivery of nearby raw materials (sand, stone and gravel), and for shipment of finished products by road.

The plant is one of the largest concrete pipe operations of its kind in North America, with a production area of about 83,000 square feet. It contains the most modern concrete pipe production equipment, and it employs the latest production techniques. The fully automated concrete mixing plant consists of five drive-over truck hoppers of 75 tons each for reception of aggregates, which are then delivered by belt conveyor to six 75 ton storage bins. The two 75 ton cement silos are filled by an air delivery system. All materials are fed automatically into two 3-yard mixers, and the mixed concrete is delivered to four pipe-manufacturing machines by conveyor belt. These machines are capable of producing concrete pipe in diameters from 6″ to 120″; and in varying lengths from 3′ 6″ to 12 feet. After manufacture the pipe is cured in kilns through which it is carried on moving kiln cars.

An important feature is a machine for the production of reinforcing cages for reinforced concrete pipe from cold drawn wire. This machine is the first of its kind to be installed in Canada, and will produce reinforced cages up to 84″ in diameter, and in any length.

A large, well equipped, quality control department has been established for the testing of raw materials and finished products. Daily testing is performed on the finished product to ensure structural and hydrostatic performance.

These facilities will enable Concrete Pipe Company to maintain its position as one of Canada's leading producers of quality concrete pipe.



The 72″ McCracken pipe machine installed at Dixie Road plant

CONSOLIDATED STATEMENT OF INCOME AND RETAINED EARNINGS

Year ended March 31, 1969

REVENUE	1969	1968
Sales and contract revenue	$42,865,250	$36,795,846
Income from investments	113,121	114,529
	42,978,371	36,910,375
EXPENSE		
Cost of sales and operating expenses, exclusive of the following items	38,673,625	34,635,227
Depreciation and depletion	1,684,799	1,762,901
Interest on long-term debt	36,243	20,979
Other interest expense	111,464	216,501
	40,506,131	36,635,608
Income before income taxes	2,472,240	274,767
Income taxes (note 5)		
Current	316,000	65,700
Deferred	954,000	(40,700)
	1,270,000	25,000
Net income (per share: 1969 — $1.17, 1968 — $.24)	1,202,240	249,767
Profit on disposal of properties	28,592	861,404
Net income and extraordinary item (per share: 1969 — $1.20, 1968 — $1.08)	1,230,832	1,111,171
Retained earnings at beginning of year	9,299,538	8,393,226
	10,530,370	9,504,397
Dividends (per share: 1969 and 1968 — $.20)	204,859	204,859
Retained earnings at end of year	$10,325,511	$ 9,299,538

ATERIALS, LIMITED

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CONSOLIDATED STATEMENT OF FINANCIAL POSITION

March 31, 1969

	1969	1968
CURRENT ASSETS		
Cash	$ 658,762	$ 27,669
Bank deposit receipts	2,785,000	
Accounts receivable	4,510,129	5,590,700
Tender and other deposits	264,959	529,885
Mortgages receivable, current portion	29,000	29,000
Income taxes recoverable		111,221
Inventories (note 1)	1,636,688	1,783,313
Prepaid expenses	473,434	456,443
	10,357,972	8,528,231
CURRENT LIABILITIES		
Bank advances		45,704
Bank liability on tender accounts	234,965	469,150
Accounts payable and accrued	4,639,515	4,060,190
Dividends payable April 1	102,430	
Income taxes	221,734	
Long-term debt, current portion	336,000	164,601
	5,534,644	4,739,645
Working Capital	4,823,328	3,788,586
MORTGAGES RECEIVABLE, excluding current portion	178,647	207,647
SPECIAL REFUNDABLE TAX		123,435
INVESTMENT IN ASSOCIATED COMPANY, at cost (note 2)	12,500	12,500
FIXED ASSETS, at cost, less accumulated depreciation and depletion (note 3)	13,927,702	11,088,536
	18,942,177	15,220,704
DEDUCT		
Long-term debt (note 4)	2,805,300	1,063,800
Deferred income taxes (note 5)	2,478,500	1,524,500
	5,283,800	2,588,300
SHAREHOLDERS' EQUITY	$13,658,377	$12,632,404
DERIVED FROM:		
Capital stock		
Authorized — 1,140,240 common shares of no par value		
Issued — 1,024,296 shares	$ 3,332,866	$ 3,332,866
Retained earnings	10,325,511	9,299,538
Total Shareholders' Equity	$13,658,377	$12,632,404

(per share: 1969 — $13.33, 1968 — $12.33)

Approved by the Board:

J. H. REID, Director.

GEORGE SCHOTCH, Director.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 1969

1. INVENTORIES

	1969	1968
Raw materials and supplies	$ 349,742	$ 361,760
Saleable materials and products	1,286,946	1,421,553
	$ 1,636,688	$ 1,783,313

Inventories are valued at the lower of cost and net realizable value.

2. INVESTMENT IN ASSOCIATED COMPANY

The Company owns a minority interest in National Slag Limited. Dividends received are included in income from investments.

3. FIXED ASSETS

	1969	1968
Land and gravel deposits	$ 4,493,687	$ 4,298,229
Buildings, plant and equipment	27,163,516	25,765,521
Construction work-in-progress	2,077,969	
	33,735,172	30,063,750
Less accumulated depreciation and depletion	19,807,470	18,975,214
	$13,927,702	$11,088,536

Provision is made for depreciation over the estimated useful lives of depreciable assets, for the most part on a straight-line basis.

4. LONG-TERM DEBT

	1969	1968
Bank term loan, secured, maximum $2,500,000, due 1969/1975 (interest at 1½% above prime rate)	$ 2,000,000	
Mortgages payable, due 1969/1979	726,300	$ 733,401
Other secured debt, due 1969/1973	415,000	495,000
	3,141,300	1,228,401
Less current portion	336,000	164,601
	$ 2,805,300	$ 1,063,800

Under the conditions of the bank term loan, approximately $9,300,000 of retained earnings at March 31, 1969 is not available for payment of dividends.

5. DEFERRED INCOME TAXES

Capital cost allowances which may be claimed for income tax purposes differ from depreciation and depletion recorded in the accounts, and certain other timing differences also exist in the determination of income for tax purposes.

The Company follows the practice of claiming maximum allowances in calculating income for tax purposes. When those allowances exceed amounts recorded in the accounts, income taxes so deferred are charged against income. When the allowances utilized are less than amounts recorded in the accounts, an appropriate part of the taxes previously deferred is transferred back to income. The accumulated net amount of taxes so deferred is shown as such in the consolidated statement of financial position.

6. COMMITMENTS

The minimum annual amount payable by the Company under leases and royalty agreements for properties and equipment is approximately $650,000.

7. SUBSEQUENT EVENT

In May 1969 the Company has agreed to sell the site hitherto occupied by the concrete pipe plant in Toronto at a profit of approximately $1,000,000. Production of concrete pipe is in course of transfer to a new location.

8. STATUTORY INFORMATION

Total direct remuneration of directors and senior officers amounted to $176,700 ($164,600 in 1968).

9. COMPARATIVE FIGURES

Figures for 1968 have been reclassified on the basis of financial statement presentation used for 1969.

CONSOLIDATED STATEMENT OF SOURCE AND APPLICATION OF FUNDS

Year ended March 31, 1969

	1969	1968
SOURCE OF FUNDS		
Operations		
Net income	$1,202,240	$ 249,767
Depreciation and depletion	1,684,799	1,762,901
Deferred income taxes	954,000	(40,700)
Funds from operations	3,841,039	1,971,968
Profit on disposal of properties	28,592	861,404
Mortgages receivable, reduction in non-current portion	29,000	59,000
Increase in long-term debt	1,876,000	150,000
Special refundable tax	123,435	11,571
	5,898,066	3,053,943
APPLICATION OF FUNDS		
Additions to fixed assets, net	4,523,965	674,934
Dividends	204,859	204,859
Increase in mortgages receivable		180,000
Long-term debt, reduction in non-current portion	134,500	166,601
Reduction in deferred income taxes on disposal of properties		42,800
	4,863,324	1,269,194
INCREASE IN WORKING CAPITAL	$1,034,742	$1,784,749

AUDITORS' REPORT

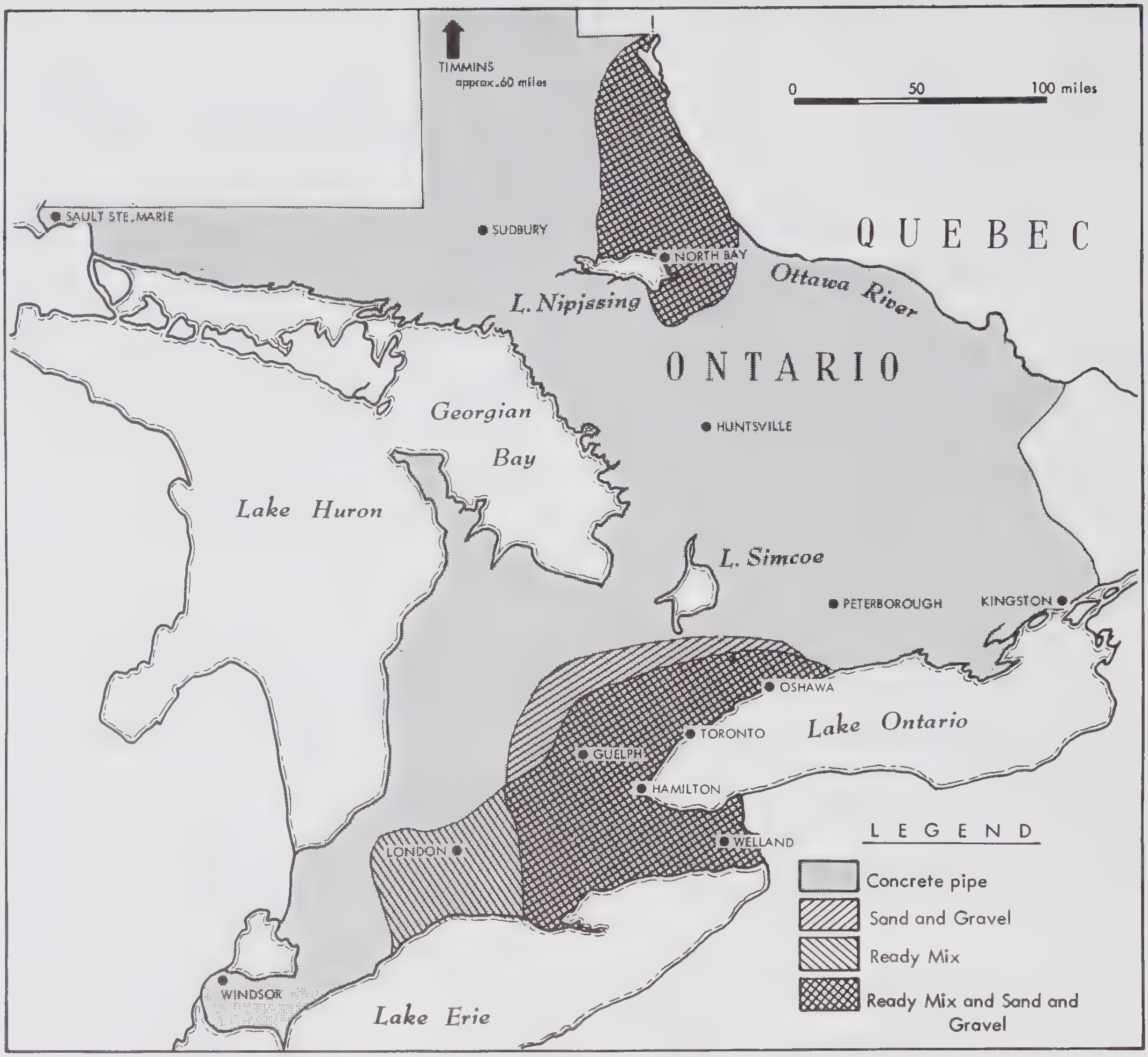
To the Shareholders of
Standard Paving & Materials, Limited

We have examined the consolidated statement of financial position of Standard Paving & Materials, Limited and subsidiary companies as at March 31, 1969 and the consolidated statements of income and retained earnings and source and application of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these consolidated financial statements present fairly the financial position of the companies as at March 31, 1969 and the results of their operations and the source and application of their funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Toronto, Canada,
May 15, 1969.

THORNE, GUNN, HELLIWELL & CHRISTENSON,
Chartered Accountants.



This map shows our principal marketing areas in Ontario

Concrete Pipe Company supplies non-reinforced concrete pipe in 6″ to 18″ diameters and reinforced concrete pipe in diameters of 12″ to 144″. Fittings and special shapes are also produced.

Ready mixed concrete of high quality and made to rigid specifications is produced in our plants throughout this area and delivered in mixers with capacities varying from 5½ to 10 cubic yards per truck.

The aggregate plants produce a complete range of washed and graded sand and gravel and asphaltic mixes.

Subsidiaries* and Divisions

S.P. & M. Materials Limited

Consolidated Sand & Gravel, Company

Guelph Sand and Gravel, Company

production at plants in Paris, Guelph, Malton, Stouffville and Pickering of water-washed sand and gravel for use as aggregates in concrete products, precast and prestressed concrete, and ready-mix concrete; sand and gravel for road construction and railway ballast.

plants in Guelph, Paris, Pickering and Toronto producing a complete range of asphaltic concrete for the pavement of roads and streets, parking lots, driveways, etc.

Curran & Briggs Ready-Mix Company

McCord & Company

Red-D-Mix Concrete Company

mixed concrete for use in the construction of bridges, roadways, sidewalks, and buildings, delivered from plants located at Ajax, Brantford, Burlington, Delhi, Guelph, Hamilton, London, Milton, Niagara Falls, Oshawa, St. Catharines, St. Thomas, Strathroy, Welland and Metropolitan Toronto.

sale of gypsum products, sewer and drainage pipe, sand and stone, plaster, portland cement and other builders' supplies from warehouses located in Metropolitan Toronto.

production at Hamilton of a complete range of asphaltic concrete for pavement of roads, streets, parking lots, driveways, etc.

York Block and Building Supply

production at a plant in Toronto of concrete and lightweight block steam-cured by the autoclave (high pressure) or low pressure processes. Sale of masonry materials, sewer and drainage pipe and Angelstone.

Concrete Pipe Company

production at plants in Toronto and London of reinforced and non-reinforced concrete sewer and water pipe; perforated concrete drainage pipe; precast concrete specialty items; horizontal and vertical elliptical pipe; inner circle oval linings.

Standard Paving Company

road building, street and highway paving, airport runway construction and sidewalk and curb installation, operating out of district offices in Toronto, North Bay, Hamilton and Ottawa. Production of asphaltic concrete in Ottawa.

North Bay Concrete & Supply Company

production at plants in North Bay and New Liskeard of sand, gravel, mixed concrete and asphalt for use in bridges, roadways, sidewalks, buildings, parking lots, etc.

National Sand and Material Company, Limited

the marine recovery of sand by the S.S. "Charles Dick" from underwater deposits in Lake Erie and Lake Ontario for use as aggregates by the construction industry.

Standard Paving Maritime Limited

road building, street and highway paving, sidewalk and curb installation, operating out of district offices in Halifax and Kentville, Nova Scotia; production at Halifax of a complete range of asphaltic concrete.

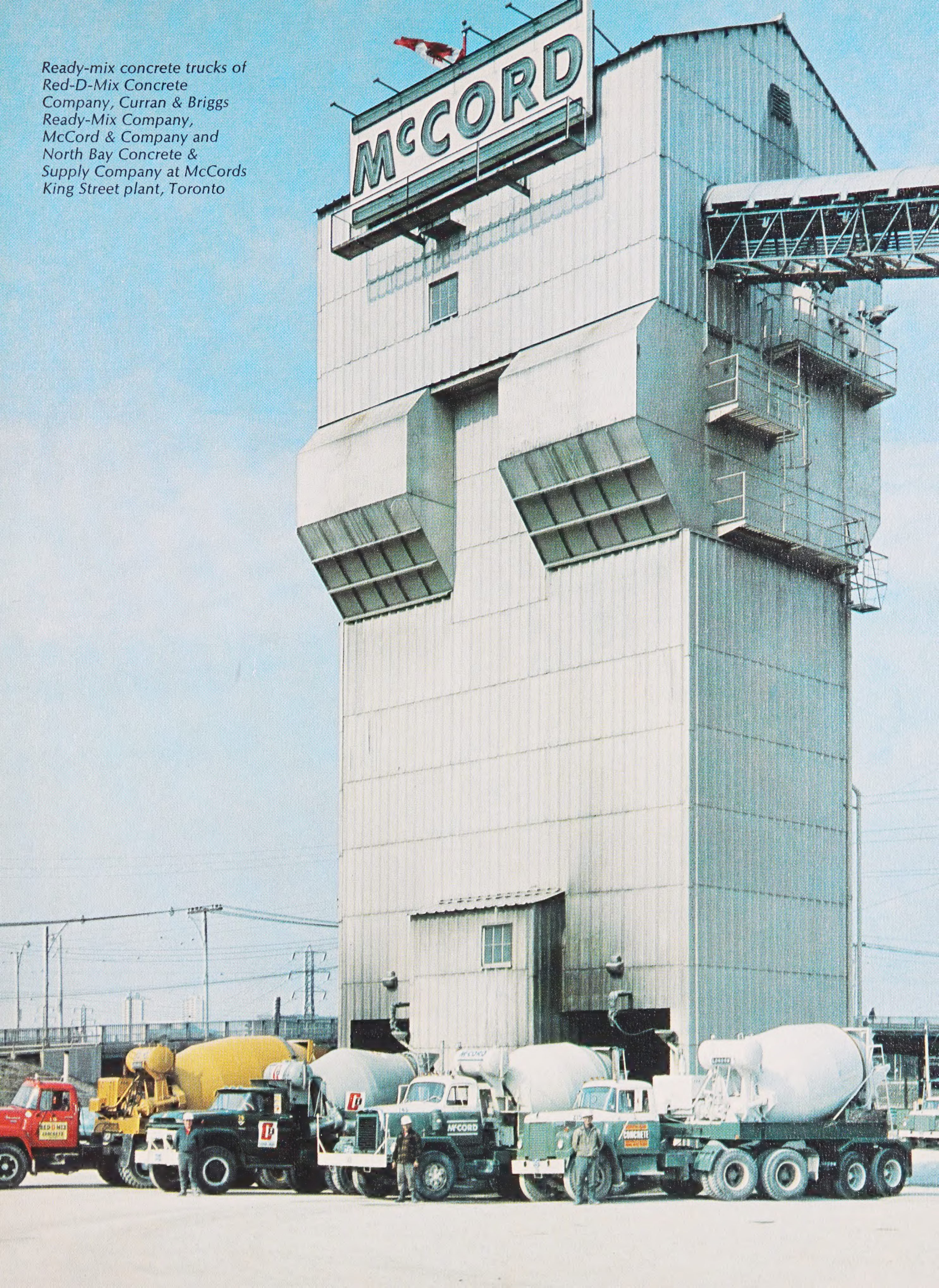
E. V. Breckon Limited

haulage of liquid asphalt, cement, sand, gravel and stone for asphalt and ready-mix concrete producers in south-central Ontario.

** all wholly-owned by Standard Paving & Materials, Limited*

Financial Summary in thousands of dollars (except per share amounts)

	years ended March 31				
Operations	**1969**	1968	1967	1966	1965
Sales and contract revenue	**42,865**	36,796	40,925		
Income before income taxes	**2,472**	275	587	2,326	2,044
Provision for income taxes	**1,270**	25	445	1,177	1,039
Net income	**1,202**	250	142	1,149	1,005
Financial Position					
Working Capital	**4,823**	3,789	2,004	2,795	5,049
Fixed assets — net	**13,928**	11,088	12,189	11,573	7,396
Other assets	**191**	344	222	152	—
	18,942	15,221	14,415	14,520	12,445
Long-term debt	**2,805**	1,064	1,081	1,075	39
Deferred income taxes	**2,479**	1,525	1,608	1,220	675
	5,284	2,589	2,689	2,295	714
Shareholders' equity	**13,658**	12,632	11,726	12,225	11,731
Source and Application of Funds					
Net income	**1,202**	250	142	1,149	1,005
Depreciation and depletion	**1,685**	1,763	1,729	1,820	1,177
Deferred income taxes	**954**	(41)	387	546	327
Operations	**3,841**	1,972	2,258	3,515	2,509
Profit on disposal of properties	**28**	861	—	236	—
Long-term debt increase (decrease)	**1,742**	(17)	5	914	(1)
	5,611	2,816	2,263	4,665	2,508
Capital expenditures — net	**4,524**	675	2,345	4,745	1,538
Acquisition of new subsidiaries	**—**	—	—	1,397	304
Dividends	**205**	205	640	666	512
Other	**(152)**	151	69	111	189
	4,577	1,031	3,054	6,919	2,543
Increase (decrease) in working capital	**1,034**	1,785	(791)	(2,254)	(35)
Per Share					
Net income	**1.17**	.24	.14	1.12	.98
Dividends	**.20**	.20	.62½	.65	.50
Shareholders' equity	**13.33**	12.33	11.45	11.94	11.45



Ready-mix concrete trucks of Red-D-Mix Concrete Company, Curran & Briggs Ready-Mix Company, McCord & Company and North Bay Concrete & Supply Company at McCords King Street plant, Toronto

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